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EAST ST. TAMMANY MENTAL HEALTH ASSOCIATION, INC.
COMPILATION REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/7/07

**EAST ST. TAMMANY MENTAL HEALTH ASSOCIATION, INC.
COMPILATION REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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DELPHINE A. CUPPAY
CERTIFIED PUBLIC ACCOUNTANT
60233 Donya Street
Slidell, LA 70460
Phone/FAX (985) 781-4931

Board of Directors
East St. Tammany
Mental Health Association, Inc.
Slidell, LA 70461

I have compiled the accompanying statement of financial position of East St. Tammany Mental Health Association, Inc., (a nonprofit organization), as of June 30, 2005, and the related statements of activities, functional expenses and cash flows for the fiscal year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Delphine A. Cuppay, CPA

Delphine A. Cuppay, CPA
Slidell, Louisiana

January 29, 2007

EAST ST. TAMMANY MENTAL HEALTH ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2005

ASSETS

Current Assets:

Cash and cash equivalents	\$ 78,895
Accounts receivable grants and contracts (Note 3)	9,606
Prepaid expenses (Note 4)	1,323
	<hr/>
Total current assets	89,824

Property and Equipment (Note 5)

Furniture and equipment	
(Net of accumulated depreciation of \$92,442)	36,881
Leasehold improvements	
(Net of accumulated amortization of \$6,800)	0
	<hr/>
Total property and equipment, net	36,881

TOTAL ASSETS	\$ 126,705
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 740
Payroll taxes payable	1,689
	<hr/>
Total current liabilities/Total liabilities	2,429

Net Assets:

Unrestricted net assets	
Board designated net assets for future facilities	10,000
Undesignated net assets	114,276
	<hr/>
Total net assets	124,276
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 126,705
	<hr/> <hr/>

See accompanying notes and accountant's report.

EAST ST. TAMMANY MENTAL HEALTH ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
AS OF JUNE 30, 2005

UNRESTRICTED NET ASSETS:	
Revenue and support:	
Contributions	\$ 2,359
Donated equipment	29,191
Special events	23,705
Gain on disposition of real estate	2,065
Net assets released from restrictions	113,622
	<hr/>
TOTAL UNRESTRICTED REVENUE AND SUPPORT	170,942
EXPENSES:	
Program services	138,243
Supporting services:	
Management and general	16,121
Grant expenses	0
Fundraising expenses	1,819
	<hr/>
Total expenses	156,183
	<hr/>
INCREASE IN UNRESTRICTED NET ASSETS	14,759
TEMPORARILY RESTRICTED NET ASSETS:	
State Grants - funding for current year	113,017
Interest income	605
Net assets released from restrictions	(113,622)
	<hr/>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	0
	<hr/>
INCREASE IN NET ASSETS	14,759
NET ASSETS AT BEGINNING OF YEAR	109,517
	<hr/>
NET ASSETS AT END OF YEAR	\$ 124,276
	<hr/> <hr/>

See accompanying notes and accountant's report.

EAST ST. TAMMANY MENTAL HEALTH ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
AS OF JUNE 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$ 14,759
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Donated equipment	(29,191)
Depreciation expense	3,762
(Increase) Decrease in operating assets:	
Accounts receivable grants and contracts	(986)
Prepaid expenses	376
Increase (Decrease) in operating liabilities:	
Accounts payable	(49)
Payroll taxes payable	265
NET CASH PROVIDED BY OPERATING ACTIVITIES	(11,064)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of furniture and equipment	(7,310)
Proceeds from disposition of real estate	62,000
NET CASH PROVIDED BY INVESTING ACTIVITIES	54,690
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 43,626
BEGINNING CASH AND CASH EQUIVALENTS	35,269
NET CASH AND CASH EQUIVALENTS	\$ 78,895
	=====

See accompanying notes and accountant's report.

EAST ST. TAMMANY MENTAL HEALTH ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Program Services	Managmt. & General	Grant Expense	Fund-Raising	Total
Compensation and related expenses:					
Compensation:					
Executive Director	\$ 27,107	4,784		\$	31,891
Program Asst.	16,435				16,435
Other Admin. Wages	<u>17,145</u>				<u>17,145</u>
Total Wages	60,687	<u>4,784</u>			65,471
Related benefits:					
Payroll taxes	5,133	370			5,503
Health insurance	<u>15,143</u>				<u>15,143</u>
Total related benefits	<u>20,276</u>	<u>370</u>			<u>20,646</u>
Total compensation and related expenses	80,963	5,154			86,117
Accounting	1,603				1,603
Audit		3,400			3,400
Bank charges		60			60
Client services exp.	1,586				1,586
Client transportation exp.	5,257				5,257
Depreciation-Furn.&Equip	3,762				3,762
Dues & subscriptions		233			233
Food supplies	2,533				2,533
Fundraising expenses				1,819	1,819
Grant expenses			0		0
Insurance expense	15,996	2,237			18,233
License & permits		125			125
Meetings, seminar & convent.		1,239			1,239
Miscellaneous		523			523
Office supplies	3,208				3,208
Operating supplies	1,398				1,398
Postage & delivery	475				475
Rent expense	14,040	1,560			15,600
Repair & Maintenance	1,063				1,063
Telephone	2,942	736			3,678
Utilities	3,417	854			4,271
TOTALS	\$ 138,243	16,121	0	1,819	156,183

See accompanying notes and accountant's report.

**EAST ST. TAMMANY MENTAL HEALTH ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES**

A. Organization

(1) The Organization

East St. Tammany Mental Health Association, Inc., (ESTMHA), was incorporated as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code to provide public education about mental illness and quality of life enrichment, structure and support for the mentally ill.

(2) The Nature of Program Services

East St. Tammany Mental Health Association operates a psychosocial rehabilitation clubhouse known as Sunshine House for adults age 18 or older who have been diagnosed with a chronic mental illness providing a caring and healing environment in which members are offered pre-vocational training, living skills, support groups and social experiences. Transportation is provided for those who need it and a hot lunch is served daily.

(3) Economic Dependence

ESTMHA is significantly funded by the State of Louisiana, Department of Health and Hospitals. Should the State of Louisiana cut its funding or disallow items, ESTMHA would be required to reduce its services.

B. Significant Accounting Policies

(1) Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, ESTMHA is required to report

information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, ESTMHA is required to present a statement of cash flows.

Unrestricted net assets represent those assets which the organization may use at its discretion.

Temporarily restricted net assets result from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of ESTMHA pursuant to those stipulations.

Permanently restricted net assets result from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of ESTMHA.

Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted and are reported as part of the unrestricted class.

ESTMHA does not have any temporarily restricted net assets or permanently restricted net assets for fiscal year ended June 30, 2005.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-stipulated restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

(2) Contributions

East St. Tammany Mental Health Association, Inc. has adopted Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with

SFAS No. 116, contributions are recognized when the donor makes a promise to give and are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

ESTMHA reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The organization reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a qualifying expenditure occurs or a time restriction expires, temporarily restricted assets are recognized in unrestricted net assets as "net assets released from restrictions" in the statement of activities. However, if a restriction is fulfilled in the same period in which the contribution is received, the contribution is reported as an unrestricted contribution.

(3) Property and Equipment

Land, major renovations and major repairs and equipment are stated at cost at the date of acquisition or renovation, or, if donated, at estimated fair value at date of donation. Minor renovations or repairs are charged to operations and maintenance as incurred. Depreciation and amortization are provided over the estimated useful lives of the respective assets on a straight-line basis.

(4) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and expenses during the reported period. Actual results could differ from those estimates.

(5) Concentrations of Credit Risk

Financial instruments which potentially subject ESTMHA to concentrations of credit risk consist of cash and temporary investments. ESTMHA places its cash and certificates of deposits at several financial institutions located in the Southeast Louisiana area. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to \$100,000. Excess cash designated by the Board as building funds for future expansion is placed with a creditworthy, high quality financial institution in the form of certificates of deposits and mutual funds and is managed by investment advisors who operate within the guidelines established by the Investment Committee of the Board of Directors. The Committee has established and communicates to the managers policies relating to the nature of permitted investment instruments, diversification and the use of derivatives.

(6) Functional Allocation of Expenses

The cost of providing the program and administering the related supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses that benefit both program and supporting services have been allocated using management's estimates.

ESTMHA's activities of fundraising and membership services in many cases include purposes or contents related to a program service. American Institute of Certified Public Accountants Statement of Position 98-2 states that joint costs of informational materials or activities should be allocated between fundraising and the appropriate program or general function if it can be demonstrated that a program or general function has been performed in conjunction with the appeal for funds. Although ESTMHA has the ability to give evidence for such combined activities, it does not allocate those portions from its fundraising and membership activities to program services.

(7) Donated Materials and Services

ESTMHA records the value of donated goods and services received when there is an objective basis available to measure their value. Donated furniture and fixtures and leasehold improvements are reflected as contributions in the accompanying statements at their estimated values at date of receipt. No amounts have been reflected in the statements for donated food, clothing or services as no objective basis is available to measure the value of such goods or services.

(8) Income Taxes

East St. Tammany Mental Health Association, Inc. has received a determination letter from the Internal Revenue Service (IRS) indicating that is a tax-exempt organization as provided for in Section 501(c)(3) of the Internal Revenue Code, except for taxes pertaining to unrelated business income, and is exempt from Federal and state income taxes. In addition, the organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. No provision has been made for income taxes in the accompanying financial statements since ESTMHA does not have a significant amount of unrelated business income for fiscal year ended June 30, 2005.

(9) Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, demand deposits with financial institutions and money market accounts.

ESTMHA's policy is to invest cash in excess of operating requirements in accounts which yield the highest short-term return. Investments in money market accounts amounted to \$26,612 as of June 30, 2005, \$10,000 of which was board designated as building funds for future expansion.

(10) Operations

Support was received from the State of Louisiana, Department of Health and Hospitals on a charge per hour per member-client basis for member-client care. Also a certain amount was received each month from the State of Louisiana, Department of Health and Hospitals for food, transportation and other related services.

(11) Total Columns

Total columns are presented to facilitate financial analysis. Data in these columns do not present financial position, results of activities and changes in net assets in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE 2 - GRANTS FROM GOVERNMENTAL AGENCIES

Included in the grants from governmental agencies is state funds in the amount of \$113,017 received under a services contract with the State of Louisiana, Department of Health and Hospitals on a charge per hour per member-client basis.

NOTE 3 - ACCOUNTS RECEIVABLE GRANTS AND CONTRACTS

The accounts receivable is due from State of Louisiana, Department of Health and Hospitals in the amount of \$9,606 for services provided through June 30, 2005. The receivable is expected to be received in a timely manner.

NOTE 4 - PREPAID EXPENSES

Prepaid expenses consists of prepaid insurance expenses in the amount of \$1,323 as of fiscal year ended June 30, 2005.

NOTE 5 - PROPERTY AND EQUIPMENT

Depreciation is calculated using the straight line method over a useful life of five years. Leasehold improvements are amortized over ten years. Furniture, fixtures and equipment consist of the following:

	Costs as of			Costs as of
<u>Property & Equipment</u>	<u>06/30/04</u>	<u>Additions</u>	<u>Dispositions</u>	<u>06/30/05</u>
Transportation vehicles	\$53,981	\$ 36,501	\$ 0	\$ 90,482
Furniture and equipment	<u>38,841</u>			<u>38,841</u>
SUB-TOTALS	92,822	36,501		129,323
Leasehold improvements	<u>6,800</u>			<u>6,800</u>
TOTALS	\$99,622	\$ 36,501	\$ 0	\$136,123

	Accum. Depre. as of 06/30/04	Depre. Expense	Accum. Depre. Writeoffs in connection with Dispositions	Accum. Depre. as of 06/30/05
Property & Equipment				
Transportation vehicles	\$52,802	\$ 2,412	\$ 0	\$ 55,214
Furniture and equipment	35,878	1,350	0	37,228
SUB-TOTALS	88,680	3,762	0	92,442
Leasehold improvements	6,800			6,800
TOTALS	\$ 95,480	\$ 3,762	\$ 0	\$ 99,242

Costs of Furniture & Equipment as of 06/30/2005	\$ 129,323
Less Accumulated Depreciation	<u>92,442</u>
Net Book Value of Furniture & Equipment	\$ 36,881

Costs of Leasehold Improvements as of 06/30/2005	\$ 6,800
Less Accumulated Amortization	<u>6,800</u>
Net Book Value of Leasehold Improvements	\$ 0

Total Net Book Value as of 06/30/2005	\$ 36,881
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NOTE 6 - DONATED EQUIPMENT

During fiscal year ended June 30, 2005, ESTMHA made an advance payment in the amount of \$7,310 to the Louisiana Department of Transportation for a 2005 Ford E-450 12-passenger van with wheelchair access, which organization in turn, donated the balance of the costs for the van in the amount of \$29,191.

NOTE 7 - DISPOSITION OF REAL ESTATE

ESTMHA sold real estate held for investment for \$62,000 thereby realizing a gain of \$2,065 on the sale of the asset for fiscal year ended June 30, 2005.

NOTE 8 - ACCRUED EMPLOYEE BENEFITS

No amount has been reflected in the financial statements for accrued compensated absences as the amount cannot be reasonably estimated.

NOTE 9 - DONATED MATERIALS AND SERVICES

For the year ended June 30, 2005 no donated materials or services were received by ESTMHA which were required by ESTMHA policy to be recorded.

NOTE 10 - ADVERTISING COSTS

There were no advertising costs expensed during fiscal year ended June 30, 2005.

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Required by Statement of Accounting Standards (SFAS) No. 107, *Disclosure about Fair Value of Financial Instruments*, disclosure of fair value information about certain financial instruments is required, whether or not recognized in the statement of financial position for which it is practicable to estimate that value. The following methods and assumptions were used in estimating fair value:

	<u>Carrying Amounts</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 78,895	\$78,895

Cash and cash equivalents include all monies in banks and highly liquid investments purchased to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of their short maturities and the ease of convertibility of these financial instruments into cash at any given time as the need may arise.

NOTE 12 - FUND-RAISERS

There was only one major fund-raiser during fiscal year ended June 30, 2005 - The Patron's Party. Invitations were extended to sponsors, friends, members and other interested persons to attend and enjoy gourmet food, live music, entertainment, fun and fellowship. This fund-raiser generated \$23,705 and incurred expenses of \$1,819 for net proceeds of \$21,886.

NOTE 13 - RENT AND RENTAL COMMITMENTS

ESTMHA leased its administrative and program offices under a one year operating lease which expired December 31, 2004 after which ESTMHA continued renting the building on a month to month basis for its present facility, with no lease agreement in effect, since there are plans to build or purchase an operations center in the future rather than continue to pay rent indefinitely. Total rent expense is \$15,600 for fiscal year ended June 30, 2005.

NOTE 14 - SUBSEQUENT EVENTS

On Saturday, August 27, 2005, with the approach of Hurricane Katrina, a category five hurricane heading for the Southeast Louisiana Gulf Coast region, ESTMHA Management did its best to secure the facility and cancelled all operations until the threat had past. The facility experienced hurricane force winds and sustained major flooding. Flood waters remained in the building for several days and residents were not allowed back into the area for two weeks after the catastrophe. As a result of flood waters and extensive mold growth thereafter, all furnishings, equipment, records, supplies, etc. were destroyed.

With the loss of its Sunshine House clubhouse facility located at 2256 First Street, Slidell, Louisiana, the adult mental health consumers who were meeting at Sunshine House continued to meet at Aldersgate Methodist Church in Slidell every day, five days a week, until funding provided by the State of Louisiana, Department of Health and Hospitals was cut from the State budget in December 2005.

Beginning January 2006, ESTMHA decided it would continue its program but on an Outreach basis. Sunshine House clubhouse members and their families were encouraged to telephone at any time if they were experiencing difficulties. Members continued to meet at Aldersgate Methodist Church but on a weekly basis and later the weekly meeting place was changed to Sunshine Village located at 2600 Mary Street in Slidell, Louisiana.

Soon it became apparent that there was a significant increase in individuals in need of mental health services who were not originally part of the Sunshine House program. It was then that ESTMHA realized that it could no longer serve only East St. Tammany or only those with severe

mental illness. Many individuals in St. Tammany Parish needed assistance coping with stress, grief, depression and loss after Hurricane Katrina. It was at this time ESTMHA board members decided to adopt a new name for its major program, a name that would better describe the level of services rendered and the population it would serve - Mental Health Association of St. Tammany. The legal name, East St. Tammany Mental Health Association, Inc. would remain the same and would continue as a 501(c)(3) non-profit charitable organization. Only the major program name, the population to be served and the level of services would change.

With a grant from Rotary International, ESTMHA not only started its rebuilding process but continues to providing services to those in need at no charge. Sunshine House, the consumer program, meets weekly at Sunshine Village at 2600 Mary Street, Slidell, Louisiana. The program is available for individuals with a mental illness. The community services program consists of community education events held on the last Thursday of each month at NorthShore Regional Medical Center, 100 Medical Center Drive, Slidell, Louisiana. ESTMHA is also promoting and conducting trainings/in-services for employers in the area and are actively working with other mental health organizations, providing referrals for mental health services throughout the community and legislative advocacy for the mentally ill and for mental health services in St. Tammany Parish as a priority.

EAST ST. TAMMANY MENTAL HEALTH ASSOCIATION, INC.
80 Creckside Place, Pearl River, LA 70452
Phone: (985) 298-7082 FAX: (315) 663-9672

December 11, 2006

To: Steve J. Theriot, CPA
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Attn: Sudha Rawal, Engagement Coordinator

Re: Entity ID No. 7242
Compilation Report
Engagement Period 07/01/2004 - 06/30/2005

The East St. Tammany Mental Health Association, Inc.'s records were destroyed during Hurricane Katrina in August, 2005, and we will be unable to provide its statutorily required report to the Legislative Auditor's Office for the fiscal year ended June 30, 2005. This letter serves to provide limited information regarding our agency.

The last report prepared by our former certified public accountant was for the fiscal year ended June 30, 2004 and was an audit report. However, a copy of that report was not filed with the Legislative Auditor's Office because, according to our former certified public accountant, under the old Louisiana Governmental Audit Guide, it was not necessary to do so. A copy of our report was sent to our grantor accordingly. This procedure was followed for several years. After Hurricane Katrina, we lost contact with our former certified public accountant located in the New Orleans area. It was not until recently that we became aware that we would need to file a report for FYE June 30, 2005, therefore we have hired a new certified public accountant to begin the process of "catching up" with our reporting requirements.

In the last audit report, the auditor's opinion on the financial statements for the fiscal year ended June 30, 2004 was an unqualified opinion.

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DELPHINE CUPPAY

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The following report findings and management letter comments were included in the report for the fiscal year ended June 30, 2004:

"FINDINGS - FINANCIAL AUDIT"

Reportable Conditions

2004-1 Segregation of Duties

Condition: Except for maintaining the general ledger and reconciling the bank accounts, the administrator is responsible for all key accounting functions. This condition is a direct result of a limited staff.

Criteria: The accounting functions should be performed by a few individuals to assure a proper segregation of duties.

Effect: The organization is unable to assure that its assets are properly safeguarded.

Questioned Costs: Not applicable.

Recommendation: The board of directors should be involved in the review of monthly financial statements and be involved in key decisions.

Response: See Corrective Action Plan.

2004-2 Insurance Coverage

Condition: A review of the existing insurance coverage noted the corporation does not have employee dishonesty coverage.

Criteria: To properly protect the corporation assets from employee embezzlement, employee dishonesty coverage should be purchased.

Effect: The corporation's assets are not properly protected from employee theft.

Questioned Costs: Not applicable.

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DELPHINE CLIPPAY

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Recommendation: The corporation should review its existing insurance coverage with its insurance agent and obtain employee dishonesty coverage as cited above.

Response: See Corrective Action Plan."

There was no management letter issued therefore there were no additional findings.

Our Corrective Action Plan for Audit Ending June 30, 2004 was as follows:

"2004-1 Segregation of Duties: East St. Tammany Mental Health Association (ESTMHA) dba Sunshine House will continue to contract an independent bookkeeper to reconcile the accounts and general ledger monthly. Due to staff constraints, ESTMHA will utilize the administrator for all key accounting functions, except as noted above. ESTMHA board of directors will review financial statements at its monthly meetings.

2004-2 Insurance Coverage: Administrator and Executive Board will explore the need/cost of employee dishonesty coverage with our insurance agent by January 2005."

In addition, the following is a short summary of the status of our operations and records and whether there will be any change in our operations as a result of the hurricane:

Before Hurricane Katrina, our nonprofit organization operated a psycho-social clubhouse known as Sunshine House on Carey Street in Slidell, Louisiana. It was a place where adult individuals suffering from mental illness could attend during the day while their more healthier family members went to work or attended to other matters during the day. Besides recreational activities, there were group counseling sessions focusing on coping skills, daily living activities, job skills, etc. The facility was open during the day from Monday through Friday all year round, except for holidays.

Our facility was totally inundated by the storm surge of Hurricane Katrina and suffered substantial standing water damage for several days thereafter. Then there was the mold and mildew. Many evacuated Slidell because of the approaching storm and when we came back to Slidell two or three weeks later and inspected our facility, the stench was unbearable. Nothing could be salvaged. We lost our facility, our furniture and equipment and all our records. We were out of business and it was debatable if we would ever recover. Then the community and outside agencies came to our aid not only with finan-

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DELPHINE CUPPAY

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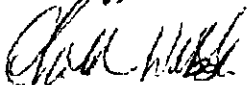
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cial aid but also many donated hours of their time and labor. Sufficiently encouraged, our first order of business was to begin outreach services for our former clients and many new clients who moved into our area from the New Orleans/St. Bernard Parish areas by means of providing a telephone number they could call so that we could put them in contact with other agencies who could help them with their special needs. Eventually we realized we also needed to begin replacing our financial records which took a great deal of time and effort and, to date, is an ongoing process.

Currently, we do not have a facility we can call our own. However, not long after Hurricane Katrina, we were approached by one of our local area church organizations here in Slidell. They have offered us space in which to begin group counseling sessions for our mentally ill clients and we have established set meeting times to come together for an hour or two during the week for special counseling programs sessions. The business office of our organization is currently located in my home in Pearl River and I am pleased to state that, recently, the prospect of a facility of our own in which we can eventually resume our psycho-social clubhouse program is currently "in the works." Certain individuals and organizations have stepped up to help us once again. A prospective facility has been called to our attention and we are working diligently to make it a reality very soon. In the meantime, we are currently operating our Outreach program until we can re-start our psycho-social clubhouse program once again.

We respectfully request an extension of time in which to file our fiscal year ended June 30, 2005 compilation report until January 31, 2007. We are also in the process of contracting with our new certified public accountant to prepare our compilation report for fiscal year ended June 30, 2006 and we will be applying for that engagement approval shortly. The fiscal year ended June 30, 2006 compilation report work will begin as soon as our fiscal year ended June 30, 2005 compilation report is finished. We also respectfully request an extension of time to file our June 30, 2006 compilation report until May 31, 2007.

Sincerely,



Cheri Webster, Executive Director
EAST ST. TAMMANY MENTAL HEALTH ASSN, INC.